

**THE CITY OF MARIETTA/BOARD OF LIGHTS AND WATER  
SOLICITATION FOR PROPOSAL**

**ACTUARIAL SERVICES**

**RFP-14-082913**



**CITY OF MARIETTA  
PURCHASING DEPARTMENT  
205 Lawrence Street  
Marietta, Georgia, 30060**

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## **INSTRUCTIONS TO PROPOSERS FOR INVITATION TO BID**

### **ARTICLE 1 TIME AND DATE DUE**

The City of Marietta, a political subdivision of the State of Georgia (hereinafter "City of Marietta" or the "City") shall receive sealed proposals from individuals, corporations, partnerships, and other legal entities organized under the laws of the State of Georgia or authorized to conduct business in the State of Georgia until 10:30 A.M., Thursday, August 29, 2013 for the following:

#### **ACTUARIAL SERVICES**

#### **RFP-14-082913**

All proposal requirements shall be in accordance with Scope of Work Pages SOW-1 – SOW-7 dated August 2, 2013 and attached hereto.

### **ARTICLE 2 OPENING LOCATION & TIME**

Names of vendors submitting proposals shall be read out loud at 10:30 A.M., Thursday, August 29, 2013 at the City of Marietta Purchasing Department, First Floor, 205 Lawrence Street, Marietta, Georgia 30060. A public opening of proposals will not occur at the date and time indicated above. Proposals received will be officially recorded, and this recordation will be made available to the public. All proposals received will be turned over to the evaluation committee for opening, review, deliberation, and recommendation.

### **ARTICLE 3 PRE-PROPOSALS CONFERENCE** Not applicable for this proposal

### **ARTICLE 4 DELIVERY REQUIREMENTS**

Any proposals received after the stated time and date shall not be considered. The time/date stamp clock located in the Purchasing Department shall serve as the official authority to determine lateness of any proposal. It shall be the sole responsibility of the proposer to have their proposal delivered to the City of Marietta Purchasing Department for receipt on or before the above stated time and date. If a proposal is sent by the U.S. Postal Service, the proposer shall be responsible for its timely delivery to the Purchasing Department. Proposals delayed by the mail shall not be opened at the public opening, and arrangements shall be made for their return at the proposer's request and expense. The proposal opening time shall be strictly observed. Under no circumstance shall proposal delivered after the specified time be considered. Such bids will be returned unopened.

## **ARTICLE 5 CLARIFICATION & ADDENDA**

Each proposer shall examine all invitation for proposal documents and shall judge all matters relating to the adequacy and accuracy of such documents. Any inquiries, suggestions, or requests concerning interpretation, clarification or additional information pertaining to the invitation to proposal shall be made through the City of Marietta, Purchasing Department. The City shall not be liable for oral interpretations given by any City employee, representative, or others. The issuance of a written addendum is the only official method whereby interpretation, clarification or additional information can be given.

If any addenda are issued to this invitation for proposal, the City shall attempt to notify all prospective proposers who have secured the same. However, it shall be the responsibility of each proposer to contact the City of Marietta, Purchasing Department at 770-794-5698 or [cdorough@mariettaga.gov](mailto:cdorough@mariettaga.gov) 72 hours prior to proposal due date to determine if any addenda were issued and to make sure such addenda is a part of their proposal. **EACH PROPOSER SHALL ACKNOWLEDGE ALL ADDENDA BY SIGNING A COPY ADDENDA RECEIVED AND ATTACHING WITH PROPOSAL.**

## **ARTICLE 6 USE AND CLARIFICATION OF SPECIFICATIONS**

If there are any discrepancies in, or omissions from, the Drawings or Specifications, or if the proposer is in doubt as to the true meaning of any part of the Contract Document, he shall request clarification from The Purchasing Department. Such request shall be in writing and shall be made not less than seventy-two (72) hours prior to the time scheduled for the termination of proposal. Interpretations in response to inquiries for any proposer, clarifications or corrections issued in the form of addenda shall be mailed to each proposer. If the proposer fails to request clarification regarding methods of performing work or the material required, his proposal shall be deemed to include the method requiring the greater quantity of work or material or upon the material of greatest cost indicated.

## **ARTICLE 7 BUSINESS LICENSE**

The proposer shall provide appropriate proof of a current Business License.

## **ARTICLE 8 SEALED & MARKED**

**SIX SIGNED COPIES OF YOUR PROPOSAL SHALL BE SUBMITTED  
IN ONE SEALED PACKAGE, CLEARLY MARKED ON THE OUTSIDE:**

**ACTUARIAL SERVICES**

**NO.RFP-14-082913**

and addressed to:

**City of Marietta, Purchasing Department  
205 Lawrence Street  
Marietta, Georgia 30060  
Attention: Cindy Dorough**

*INSTRUCTIONS TO PROPOSERS*

## **ARTICLE 9 LEGAL NAME**

Proposals shall clearly indicate the legal name, address and telephone of the respective proposer (company, firm, partnership, individual). Proposals shall be signed above the typed or printed name and title of the signer. The signer shall have the authority to bind the proposer to the submitted proposal.

## **ARTICLE 10 PROPOSAL EXPENSES**

All expenses for making proposals to the City are to be borne by the proposer.

## **ARTICLE 11 IRREVOCABLE OFFER**

Any proposal may be withdrawn up until the date and time set above for the opening of proposal. Any proposal not withdrawn shall, upon opening, constitute an irrevocable offer for a period of 60 days to sell to The City of Marietta the goods or services set forth in the attached specifications until one or more of the proposals have been duly accepted by the City. All prices shall be quoted F.O.B. City of Marietta, Georgia.

Proposal modifications shall be accepted from a proposer only if received prior to the scheduled proposal opening, in writing, properly signed by the authorized representative of the proposer's (company, firm, partnership, individual).

Mathematical errors shall be corrected by the City, i.e.: misplaced decimal points shall be corrected; in discrepancies between unit price vs. extended price, unit price shall govern; errors in extension of unit prices shall be corrected and mathematical errors shall be corrected.

## **ARTICLE 12 RESERVED RIGHTS**

The City reserves the right to accept or reject any and or all proposals, to waive irregularities and technicalities, award the contract in the best interest of the City of Marietta or to request re-proposal. The City reserves the right to accept all or any part of the proposal and to increase or decrease quantities to meet additional or reduced requirements of the City

For each item or for all items combined, the proposal of the lowest, responsible and responsive proposer shall be accepted, unless all proposals are rejected. The lowest responsive proposer shall mean the proposer who makes the lowest proposal to sell goods and/or services of a quality which conforms closest to the quality of goods/and or services set forth in the attached specifications or otherwise required by the City, and conforms to all material aspects of the requirements set forth in the invitation for proposal. To be a responsible proposer, the proposer shall be fit and capable to perform the work as required, shall have the capability in all respects to perform fully the contract requirements, and shall have the tenacity, perseverance, experience, integrity, reliability, capacity, facilities, equipment, and credit which shall assure good faith performance. Also, the City reserves the right to make such

investigations as it deems necessary to determine the ability of any proposer to deliver the goods or service requested.

Information the City deems necessary to make this determination shall be provided by the proposer. Such information may include, but shall not be limited to current financial statements; verification of availability of equipment and personnel; and past performance records.

#### **ARTICLE 13 APPLICABLE LAWS**

Proposers shall be authorized to transact business in the State of Georgia. All applicable laws and regulations of the State of Georgia and ordinances and regulations of the City of Marietta shall apply to any resulting agreement.

#### **ARTICLE 14 CODE OF ETHICS**

With respect to this proposal, if any proposer violates or is a part to a violation of the State of Georgia, Code of Ethics for Public Officers and Employees, such proposer may be disqualified from furnishing the goods or services for which the proposal is submitted and shall be further disqualified from submitting any future proposals for goods or services for the City of Marietta.

#### **ARTICLE 15 COLLUSION**

By offering a submission to this invitation for proposal, the proposer certifies that the proposer has not divulged to, discussed or compared his proposal with other proposers and has not colluded with any other proposer or parties to this proposal whatsoever. Also, proposer certifies, and in the case of a joint proposal each party thereto certifies as to his/her own organization, that in connection with this proposal:

- 15.1 Any prices and/or cost data submitted have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition, as to any matter relating to such prices and or cost data, with any other proposer or with any competitor;
- 15.2 Any prices and/or cost data quoted for this proposal have not been knowingly disclosed by the proposer and shall not knowingly be disclosed by the proposer prior to the scheduled opening directly or indirectly to any other PROPOSER or to any competitor;
- 15.3 No attempt has been made or shall be made by the PROPOSER to induce any other person or firm to submit a proposal for the purpose of restricting competition;
- 15.4 The only person or persons interested in this proposal, principal/principals is/are named therein and that no person other than therein mentioned has any interest in his proposal or in the contract to be entered into; and

- 15.5 No person or agency has employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or established commercial agencies maintained by the Purchaser for the purpose of doing business.

#### **ARTICLE 16 CONTRACT FORMS**

Any agreement, contract or Purchase Order resulting from the acceptance of a proposal shall be on forms provided by the City. Each proposer shall state in his proposal, in words and numerical, written in ink or typed, the price for which he shall perform the work or supply the items required by the specifications, plans and contract documents. Any erasures, delineations or alterations are to be clear and initialed by the person signing.

#### **ARTICLE 17 NOTICE OF ACCEPTANCE**

Owner shall notify the successful proposer of its acceptance of the proposal by depositing an executed copy thereof in the United States mail. Such notice shall be sent by certified mail, with postage prepaid, to the name and address of such proposer as stated in the proposal. Unsuccessful proposers shall be notified first-class mail.

#### **ARTICLE 18 PROPOSAL FORMS, VARIANCES, ALTERNATES**

Proposals shall be submitted on your company's letterhead. **PROPOSERS SHALL SUBMIT PROPOSAL DOCUMENTS, ALL DOCUMENTS REQUIRING SIGNATURES AND ANY OTHER ATTACHMENTS (LICENSES, SPECIFICATIONS, ETC.) REQUIRED FOR THIS PROPOSAL BASED ON THE REQUIRED COPIES REQUESTED IN ARTICLE 8 WITH ORIGINAL SIGNATURES WHERE APPLICABLE.**

Proposers shall indicate any and all variances/exceptions from the City requested specifications, terms, and conditions on sheet entitled **"EXHIBIT A"** Providing there has been no variances/exceptions or alterations attached to said proposal, it shall be assumed that the proposer is meeting all requirement of the specifications. Alternate proposals may or may not be considered at the sole discretion of the City.

#### **ARTICLE 19 TAXES**

The City of Marietta is exempt from Federal Excise and State Sale Taxes; therefore the proposer is prohibited from delineating a separate line item in his proposal for any sales or service taxes. The City of Marietta does not intend to imply that a proposer has no independent tax liability.

#### **ARTICLE 20 REGULATIONS, CODES AND STANDARDS**

It shall be the responsibility of each supplier to assure compliance with any and all Codes & Standards including but not limited to OSHA, EPA LIFESAFETY, ANSI ASTM, UA and/or other Federal or State of Georgia rules, regulations or other requirements, as each may apply.

#### **ARTICLE. 21 EQUAL EMPLOYMENT OPPORTUNITY CLAUSE**

The City of Marietta, Marietta, Georgia, in accordance with the provisions of Title VI of The Civil Rights Act of 1964(78 Stat. 252) and the Regulations of the Department of Commerce (15 CFR, Part 8) issued pursuant to such Act, hereby notifies all proposers that it shall affirmatively ensure that in any contract entered into pursuant to this advertisement, minority business enterprises shall be afforded full opportunity to submit proposals in response to this advertisement and shall not be discriminated against on the grounds of race, color, disability or national origin in consideration for an award.

#### **ARTICLE 22 DRUG FREE WORKPLACE**

The City of Marietta is a DRUG FREE WORKPLACE. It is required that the attached Drug Free Workplace Form (Exhibit B) be signed and returned to this office with the proposal. In the event of a tie proposal, receipt of a valid and accurate form may be used as basis for awarding the contract.

#### **ARTICLE 23 WORK AUTHORIZATION PROGRAM**

Contractor affidavit and agreement and subcontractor affidavit and agreement are attached (Exhibit C) it is required that these forms be signed and returned to this office with the proposal.

#### **ARTICLE 24 CONFIRMATION ON PROPOSALS**

**PROPOSERS INTERESTED IN RECEIVING A COPY OF THE PROPOSAL TABULATION/EVALUATION SHEET SHOULD ENCLOSE A STAMPED, SELF-ADDRESSED ENVELOPE WITH THEIR PROPOSAL. ALLOW THIRTY (30) DAYS MINIMUM FOR A REPLY.**



# **EXHIBIT A**

## **ALTERATIONS /EXCEPTIONS**

**SPECIAL INSTUCTIONS: ALL ITEMS SHALL BE TYPED OR PRINTED**

## **EXHIBIT B**

### **Drug Free Work Place Certification**

**Identical Tie Proposals - Preference shall be given to businesses with drug-free workplace program. Whenever two or more proposals which equal with respect to price, quality and service are received by the State or by any political subdivision for the procurement of commodities or contractual services, a proposal received from a business that certifies that has implemented a drug-free work place program shall be given preference in the award process. Established procedures processing tie proposals shall be followed if none of the tied vendors have drug-free workplace program. In order to have a drug-free workplace, a business shall:**

- 1) Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of controlled substances is prohibited in the workplace and specifying the actions that shall be taken against employees for violation of such prohibition.**
- 2) Inform employees about the dangers of drug abuse in the workplace, the business's policy of maintaining a drug-free workplace, any available drug counseling, rehabilitation, and employee assistance programs, and the penalties that may be imposed upon employees for drug abuse violations.**
- 3) Give each employee engaged in providing the commodities of contractual services that are under proposal a copy of the statement specified in the subsection (1).**
- 4) In the statement specified in subsection (1), notify the employee that, as a condition of working on the commodities or contractual services that are under proposal, the employee shall abide by the terms of the statement and shall notify the employer of any conviction of, or plea of guilty or nolo contendere to, any violation of Chapter 893 or of any controlled substance law of the United States or any state, for a violation occurring in the workplace no later than five (5) days after such conviction.**
- 5) Impose a sanction on, or require that satisfactory participation in a drug abuse assistance or rehabilitation program if such is available in the employee's community, by any employee who is so convicted.**
- 6) Make a good faith effort to continue to maintain a drug-free workplace through implementation of this section.**

**As the person authorized to sign this statement, I certify that this firm complies fully with the above requirements.**

\_\_\_\_\_  
**COMPANY NAME**

\_\_\_\_\_  
**AUTHORIZED SIGNATURE**

**EXHIBIT C**

**IMMIGRATION AND SECURITY FORM  
(GEORGIA SECURITY AND IMMIGRATION COMPLIANCE ACT AFFIDAVIT)**

<b>Contractor's Name:</b>	
<b>State Entity's Name:</b>	CITY OF MARIETTA
<b>City Solicitation/ Contract No.:</b>	Actuarial Services

**CONTRACTOR AFFIDAVIT**

By executing this affidavit, the undersigned Contractor verifies its compliance with O.C.G.A. §13-10-91, stating affirmatively that the Contractor identified above has registered with and is participating in a federal work authorization program\*, in accordance with the applicability provisions and deadlines established in O.C.G.A. 13-10-91.

The undersigned further agrees that, should it employ or contract with any subcontractor(s) in connection with the physical performance of services pursuant to this contract with the City of Marietta, Contractor will secure from such subcontractor(s) similar verification of compliance with O.C.G.A. § 13-10-91 on the attached Subcontractor Affidavit. Contractor further agrees to maintain records of such compliance and provide a copy of each such verification to the City of Marietta at the time the subcontractor(s) is retained to perform such service.

\_\_\_\_\_  
EEV / E-Verify™ User Identification Number

\_\_\_\_\_  
BY: Authorized Officer or Agent  
(Contractor Name)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title of Authorized Officer or Agent of Contractor

\_\_\_\_\_  
Printed Name of Authorized Officer or Agent

\_\_\_\_\_  
**Signature** of Authorized Officer or Agent

SUBSCRIBED AND SWORN  
BEFORE ME ON THIS THE

\_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_

[NOTARY SEAL]

\_\_\_\_\_  
Notary Public

My Commission Expires:

\*any of the electronic verification of work authorization programs operated by the United States Department of Homeland Security or any equivalent federal work authorization program operated by the United States Department of Homeland Security to verify information of newly hired employees, pursuant to the Immigration Reform and Control Act of 1986 (IRCA), P.L. 99-603

## EXHIBIT D

### *Scope of Work*

#### **Introduction**

The City of Marietta is soliciting proposals for a qualified firm to provide actuarial services. Your firm is invited to submit a proposal.

#### **Scope of Work**

Throughout each year, the Human Resources and/or I.T. departments will provide the following information to the actuary, as it becomes available:

- Detailed descriptions of any changes in plan provisions, including copies of plan amendments and board resolutions
- Participant census data, edited and reconciled (provided annually)
- Asset information in the form of an audited financial statement

The actuarial firm will provide the following basic services:

- Biennial actuarial valuation (beginning with fiscal year ending on June 30, 2014) to determine whether:
  1. contributions arising from Member participation and City contributions are sufficient to fund the current levels of benefits (Funding Requirement)
  2. contributions meet the minimum funding standards of the Public Retirement Systems Law (Funding Status)
  3. Disclosure information under GASB Statement No. 25 & 27
  4. 10-year forecast of contributions, disbursements and funded status
  5. Actuarial experience analysis
  6. Quarterly meetings and phone consultations

The City of Marietta may propose legislative changes to the Fund. Potentially, the actuary may be requested to evaluate the actuarial effect on the Fund of such legislative proposals. Such review will be provided by the actuarial firm at a negotiated fee.

#### **Terms and Format of Proposal**

The actuarial firm must provide a written proposal (1 original and 5 single-sided copies), with sufficient detail to permit evaluation by the Fund. A future oral presentation of the proposal may be required. Any questions should be addressed to the Purchasing Department of the City.

*Offerors questions/inquiries* - Offerors seeking clarification as to intent or content of the RFP should be in writing and should be emailed to [cdorough@mariettaga.gov](mailto:cdorough@mariettaga.gov) or by calling 770-794-5698 to the attention of the Purchasing Agent, Cindy Dorough.

*Submission of Proposals* – Each qualified offeror may submit only one (1) proposal. Alternate Proposals will not be accepted. The submission of a proposal shall be considered to be a warranty and representation that the offeror has made a careful examination and understands the work and the requirements of this solicitation.

One original and 5 single-sided copies of the proposal must be submitted. Proposals must be received by the Purchasing office no later than 10:30 a.m. EST, on August 29, 2013. Any proposal received after that date and time will be rejected.

*Costs for Proposal Preparation* – Any cost incurred by an offeror in preparing or submitting a proposal is the offeror's sole responsibility.

The City of Marietta Pension Board expects the final selection to be made on or about October 30, 2013.

**Failure to meet the terms and conditions of this request for proposal may result in disqualification of the proposal. The City of Marietta also reserves the right to change or make amendments to the RFP at any time during the process.**

## **Proposal Format**

The offeror shall prepare a written proposal on your company's letterhead, in a narrative format, that will fully describe the qualifications and availability of the offeror to provide the services requested and the compensation the offeror proposes in response to this RFP. The proposal shall include, without limitation, the following information in the order set forth below:

- Proposal Letter
- Background Information on Firm
- Professional Staff and Client Relationships
- Capabilities, Quality Control Procedures
- Estimated Fees & Timing of Services
- Sample annual/biennial valuation reports
- Sample bills and billing detail for past actuarial valuations (annual/biennial), preferably for a defined benefit plan(s) similar in asset size and membership to the Fund.
- General comments on the included article ("Detroit Gap Reveals Industry Dispute on Pension Math") along with a response to the included three statements (Excerpts Relating To Detroit Article From NYT 2013-07-19) (See Attachments A & B)

### **I. Proposal Letter**

The Proposal Letter must be (i) signed by an individual or individuals authorized to legally bind the offeror, (ii) dated, and (iii) affixed with the corporate seal, if any. If the offeror is a corporation, evidence in the form of a certified copy of a corporate resolution or certified copy of articles of incorporation or bylaws shall be submitted showing the individual's authority to bind the corporation. If the offeror is a partnership, the proposal must be signed by all the partners or

evidence in the form of a certified copy of the partnership agreement shall be submitted showing the individual's authority to bind the partnership. Similar evidence must be submitted for an individual signing the proposal letter on behalf of any other kind of entity. The fully executed proposal letter must be submitted along with the proposal.

The Proposal Letter shall include the following:

**Terms and Conditions** - A statement that the offeror understands and will comply with all terms and conditions in the RFP.

**Legal Entity** – A statement indicating that the offeror is an individual, partnership, limited liability company or a corporation and, if a corporation, partnership, limited liability company or other legal entity, indicating the jurisdiction where the offeror is organized.

**Federal Tax ID No.** - A statement setting forth the offeror's federal tax identification number.

**Current Licenses** - A statement that the offeror maintains all active and current licenses or registrations necessary to provide the services and a statement of the offeror's specialty areas.

**Non-discrimination** - A statement of affirmative action that the offeror does not discriminate in employment and practices with regard to race, color, religion, age (except as provided by law), sex, marital status, political affiliation, national origin, handicap or disability.

**Confidential or Proprietary Information** - The offeror shall designate those portions of the proposal that contain trade secrets or other proprietary data that the offeror wishes to remain confidential. The material designated as confidential must be readily separable from the response in order to facilitate public inspection of the nonconfidential portion of the proposal. The entire proposal CANNOT be considered confidential.

## II. Background Information on Your Firm.

- A. History of firm, structure and ownership.
- B. A general description of the firm, including size, number of offices, number of employees, number of actuaries, primary business (e.g. consulting, pension planning, insurance, etc.), other businesses or services, and other descriptive material.
- C. A discussion of your firm's local office capabilities.
- D. The firm's name, home office, address of the office providing services under the contract and the telephone number and appropriate fax number.
- E. A description of the firm's strengths in what they can offer in the way of actuarial services to a defined benefit plan the size. Conversely, what are some of your weaknesses?
- F. The length of time your firm has performed the services requested herein.

- G. A discussion of what distinguishes your actuarial valuation work from that of your competitors?
- H. A copy of your firm's most recent audited financial statements.
- I. Number of accounts and total assets for your clients classified according to public, corporate, Taft-Hartley, endowment, and other as of January 1, 2013. Identify how many accounts and clients are tax-exempt clients and public pension funds.

### III. Professional Staff and Client Relationships.

- A. Please specify the actuaries, supervising actuary and professional staff that would be assigned, if selected, to the Pension Fund account by name, title, and work location. Attach brief biographical sketches of each including professional and experience qualifications of all actuaries who shall perform work under the contract. What would their individual activities and responsibilities be? Also disclose their duties and responsibilities for other accounts for which they have responsibility and how their workloads are assigned. Identify the person who would be the day-to-day contact.
- B. How many accounts are handled by each actuarial employee?
- C. A statement of the availability and location of staff (including actuaries) and other required resources for performing all services and providing deliverables within indicated time frames. Statement as to whether or not the services outlined in these specifications can be performed using only the present staff and computer equipment.
- D. Describe how your consultants are compensated? By salary only? By salary and incentives? Are incentives related to billing levels?
- E. Please provide, for reference purposes, the following which are or have been serviced by the office which would service the Pension Fund:
  - Three current actuarial clients
  - Two actuarial clients who have recently completed the transition from another actuary
  - Two former actuarial clients
  - A list of clients who have terminated your firm within the last 5 years and an explanation for the termination.
  - A list of the defined benefit public employee retirement systems for which the firm currently provides actuarial services, including system name, approximate number of participants and number of years the firm has been retained.
- F. Please disclose if your firm or any officer or principal of your firm has been a defendant in litigation or regulatory action relating to consulting and/or actuarial activities in the last five (5) years? If so, describe and explain the circumstances and current status.

- G. Within the past five (5) years, have there been any significant developments in your firm such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate future significant changes in your firm?

#### IV. Capabilities, Quality Control

- A. In order to assess your actuarial valuation capabilities, please describe:
1. Your approach to the development and maintenance of valuation software.
  2. The capabilities of your valuation system.
  3. Your approach to performing forecasts of future valuation results
  4. Your technical research support.
- B. Describe the approach you would follow to conduct an actuarial valuation of the Pension Fund; describe your approach to the transition from our current actuaries.
- C. Provide a sample actives and retired lives actuarial valuation prepared by offeror for another public pension employing a defined benefit plan.
- D. Discuss your quality assurance procedures.
- E. Describe the resources your firm has which specifically address the needs of public sector clients.
- F. Provide a certificate of insurance showing the coverage for profession liability.
- G. Describe how your firm controls the cost of services rendered for a client?
- H. Describe your capabilities to perform special projects and provide ancillary services such as data cleanup, contributions estimation and projections, and sensitivity analysis regarding actuarial assumption factors. Again, how does your firm try to control cost related to these ad-hoc tasks?
- I. Describe your firm's involvement in legislative and regulatory activities in Georgia. Describe actions taken to keep clients informed of developments related to regulation and legislation.

#### V. Estimated Fees, Billing, and Timing of Services

- A. State the fee proposed to perform the biennial actuarial valuation for the Fiscal Year ending June 30, 2014. The price should include all normal expenses associated with the performance and completion of the service (including cost of transitioning from current actuary). Any out-of-pocket expenses or additional fees that the actuary incurs should be included in the price or specifically identified as to billable rate.

*Please provide past examples of invoices/bills for this type of work discussed above. The Fund will examine the invoices for cost, their level of detail, as well as format.*



- B. In addition, please provide hourly rates for each member of staff assigned to the Pension Fund. Additional work outside the scope of this request for proposal, authorized by the City of Marietta, will be performed at the current hourly billable rates of the actuarial firm with a negotiated not-to-exceed amount on each request.

*Please provide an example of an invoice for ad-hoc work, such as an analysis of proposed legislation changes to a Fund. The Fund will examine the invoice for cost, their level of detail, as well as format.*

- C. Discuss your typical turnaround time for:

1. Biennial Actuarial Valuations (include dates that requires you to receive data from the Fund)
2. Preparation of analysis of ad-hoc requests.

- D. Discuss your ability to handle phone, e-mail, or other questions/discussions generated by board members as ‘non-billable’.

VI. Sample annual/biennial valuation reports

VII. Sample bills and billing detail for past actuarial valuations (annual/biennial), preferably for a defined benefit plan(s) similar in asset size and membership to the Fund.

VIII. General comments on the included article (“Detroit Gap Reveals Industry Dispute on Pension Math”) along with a response to the included three statements (Excerpts Relating To Detroit Article From NYT 2013-07-19) (See Attachments A & B)

A. In narrative form.

B. Focusing on pension math, assumptions, and evolving principles and practices.

**Proposal Evaluation Criteria**

It is the intent of the Fund to choose the Offeror whose proposal provides the highest value to the Fund. City of Marietta reserves the right to waive any irregularities, reject any and/or all proposals, in whole or in part, when, in the Fund’s opinion, such rejection is in the best interests of the Fund.

- I. Selection of the firm to provide the work will be based on the following criteria. Specific response, comment, or clarification may be offered to the extent that any of these issues are not fully addressed in the prior section.
  - A. Qualification and experience of the firm and the key personnel assigned to the project.
  - B. Soundness of methodology, work plan, and timetable.
  - C. Reasonableness of costs to services.
  - D. Quality and detail of billing related to services.

- E. Reasonableness of the resources required on the part of the Fund for completion of work.
  - F. Limitation of professional liability.
- II. Each proposal will be evaluated first on whether the following mandatory requirements are met. Any proposal which does not meet the mandatory requirements may be rejected from further consideration.**
- A. The actuarial firm must have experience providing services as a consulting actuary to public pension plans offering defined benefits.
  - B. The actuarial firm must provide a written statement attesting that the services provided will be performed according to generally accepted actuarial procedures.
  - C. Sample of work products specified must be submitted with proposal and must be of satisfactory quality.
  - D. The actuarial firm must provide all material information requested.
- III. Those proposals which have met the mandatory criteria above will be evaluated for quality in the following areas:**
- A. General Proposal Design
  - B. References
  - C. Past Experience of Assigned Actuaries and Firm
  - D. Credentials of Assigned Actuaries
  - E. Proposed Methodology
  - F. Oral Presentation (as may be necessary)
- IV. The proposals which have met and been ranked against the mandatory and technical criteria above, will be further ranked according to their willingness and financial ability to stand behind their work product.**
- V. Proposals which receive an acceptable evaluation score for mandatory criteria, technical criteria, and financial ability, will then be further evaluated for cost of services. Both the cost bid and quality score will be considered.**
- VI. The evaluation team may interview selected proposers to clarify specific matters presented in the proposals. These discussions will allow respondents to elaborate on his/her proposal and to request other pertinent information. The evaluation team will use information gained during these discussions, and information presented in the proposal, to rank proposals in accordance with criteria stated in the RFP.**

- VII. All other provisions of the RFP will also be considered. At this time, the team has not formally established weighting criteria for the above factors. Proposers can reasonably assume that factors related to the overall scope of work, and qualifications of the proposers, are all closely related and will be given equal consideration.

### **Submission of Proposals**

Please submit proposals to City of Marietta, Purchasing Department, 205 Lawrence Street, Marietta, Georgia 30060. All proposals must be received prior to 10:30 a.m. Thursday, August 29, 2013

# Detroit Gap Reveals Industry Dispute on Pension Math

By [MARY WILLIAMS WALSH](#)



Bill Pugliano/Getty Images

Many in Detroit were alarmed recently when, seemingly out of nowhere, a \$3.5 billion hole appeared in the city's pension system.

Until mid-June, there was one ray of hope in Detroit's gathering storm: For all the city's problems, its pension fund was in pretty good shape. If the city went under, its thousands of retired clerks, police officers, bus drivers and other workers would still be safe.

Then came bad news. Seemingly out of nowhere, a \$3.5 billion hole appeared in Detroit's pension system, courtesy of calculations by a firm hired by the city's emergency manager.

## Related Links

- [Michigan Governor and Detroit's Manager Call for Patience](#)

Retirees were shaken. Pension trustees said it must be a trick. The holders of some of Detroit's bonds realized in shock that if the city filed for bankruptcy — as it finally did on Thursday — their claims would have even more competition for whatever small pot of money is available.

But Detroit's pension revelation is nothing new to many people who run pension plans for a living, the math-and-statistics whizzes known as actuaries. For several years, little noticed in the rest of the world, their staid profession has been fighting over how to calculate the value, in today's dollars, of pensions that will be paid in the future.

It may sound arcane, but the stakes for the country run into the trillions of dollars. Depending on which side ultimately wins the argument, every state, city, county and school district may find out that, like Detroit, it has promised more to its retirees than it ever intended or disclosed. That does not mean all those places will declare bankruptcy, but many have more than likely promised their workers more than they can reasonably expect to deliver.

The problem has nothing to do with the usual padding and pay-to-play scandals that can plague pension funds. Rather, it is the possibility that a fundamental error has for decades been ingrained into actuarial standards of practice so that

certain calculations are always done incorrectly. Over time, this mistake, if that is what it is, has worked its way into generally accepted accounting principles, been overlooked by outside auditors and even affected state and municipal credit ratings, although the ratings firms have lately been trying to correct for it.

Since the 1990s, the error has been making pensions look cheaper than they truly are, so if a city really has gone beyond its means, no one can see it.

“When the taxpayers find out, they’re going to be absolutely furious,” said Jeremy Gold, an actuary and economist who for years has called on his profession to correct what he calls “the biases embedded in present actuarial principles.” In 2000, well before the current flurry of pension-related municipal bankruptcies, he wrote his doctoral dissertation on how and why conventional pension calculations run afoul of modern economic principles.

Mr. Gold made his prediction about taxpayer fury in an interview a number of years ago in which he also explained why he had chosen his topic. He said he hoped to help put a stop to the errors he saw his colleagues making before pension problems that were already starting to brew then boiled over and a furious public heaped blame, scorn and legal liability on the profession.

When a lender calculates the value of a mortgage, or a trader sets the price of a bond, each looks at the payments scheduled in the future and translates them into today’s dollars, using a commonplace calculation called discounting. By extension, it might seem that an actuary calculating a city’s pension obligations would look at the scheduled future payments to retirees and discount them to today’s dollars.

But that is not what happens. To calculate a city’s pension liabilities, an actuary instead projects all the contributions the city will probably have to make to the pension fund over time. Many assumptions go into this projection, including an assumption that returns on the investments made by the pension fund will cover most of the plan’s costs. The greater the average annual investment returns, the less the city will presumably have to contribute. Pension plan trustees set the rate of return, usually between 7 percent and 8 percent.

In addition, actuaries “smooth” the numbers, to keep big swings in the financial markets from making the pension contributions gyrate year to year. These methods, actuarial watchdogs say, build a strong bias into the numbers. Not only can they make unsustainable pension plans look fine, they say, but they distort the all-important instructions actuaries give their clients every year on how much money to set aside to pay all benefits in the future.

If the critics are right about that, it means even the cities that diligently follow their actuaries’ instructions, contributing the required amounts each year, are falling behind, and they don’t even know it.

These critics advocate discounting pension liabilities based on a low-risk rate of return, akin to one for a very safe bond.

In the years since his doctoral research, Mr. Gold and like-minded actuaries and economists have been presenting their ideas in professional forums and in scholarly papers crammed with equations and letters of the Greek alphabet. They have won converts, but so far no changes in the actuarial standards. Their theoretical arguments tend to fly over the head of the typical taxpayer.

Year after year there has been consistent resistance from the trustees of public pensions, the actuarial firms that advise them and the unions that represent public workers. The unions suspect hidden agendas, like cutting their benefits. The actuaries say they comply fully with all actuarial standards of practice and pronouncements of the Governmental

Accounting Standards Board. When state and local governments go looking for a new pension actuary, they sometimes post ads saying that candidates who favor new ways of calculating liabilities need not apply.

A few years ago, with the debate still raging and cities staggering through the recession, one top professional body, the Society of Actuaries, gathered expert opinion and realized that public pension plans had come to pose the single largest reputational risk to the profession. A Public Plans Reputational Risk Task Force was convened. It held some meetings, but last year, the matter was shifted to a new body, something called the Blue Ribbon Panel, which was composed not of actuaries but public policy figures from a number of disciplines. Panelists include Richard Ravitch, a former lieutenant governor of New York; Bradley Belt, a former executive director of the Pension Benefit Guaranty Corporation; and Robert North, the actuary who shepherds New York City's five big public pension plans.

This project has drawn fire from a large number of public pension officials. They recently wrote the Society of Actuaries a joint letter, urging it to reconstitute the Blue Ribbon Panel by adding more people "who can provide insight" into the many benefits of the current method, and expressed great concern about switching to a new one that could cause confusion and volatility. Of possible interest to the bondholders and taxpayers of Detroit, they also said that as fiduciaries they were required to "put the interest of all plan participants and beneficiaries above their own interests or those of any third parties."

Much of the theoretical argument for retaining current methods is based on the belief that states and cities, unlike companies, cannot go out of business. That means public pension systems have an infinite investment horizon and can pull out of down markets if given enough time.

As Detroit has shown, that time can run out.

*Monica Davey contributed reporting.*

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Excerpts Relating To Detroit Article  
NYT 2013-07-19

Response to another related article (felt they were good observations) and would ask for your comments on the following excerpts:

*If you can only assume low 3-4% returns the plans are not viable. It is difficult to believe that this is the best we can do. A well run plan with mix of long and short term investments has no trouble making long term gains of around 7%. Which from back of the envelope (along with a modern calculator) calculations only needs 15-17% of payroll to fund, including healthcare.*

*If you start from pension funding levels of 2011 or even better 2010 and assume 3-4% returns then the sky is indeed falling.*

*The funding problems that exist come mostly from healthcare promises which tend to not be prefunded, not so much from the prefunded accounts that pay our other bills. The Detroit funds for example, which were reported in May to be essentially fully funded as of the end of 2011, are in good shape if you assume 6-8% returns (buying the market) but can be made to be in trouble if you can only assume long term treasury rates.*